

OFFICE OF THE COMPTROLLER CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section 1520 Market Street Suite 3005 St. Louis, Missouri 63103

March 19, 2021

Jamie Wilson, Director Street Department Director's Office 1900 Hampton Ave. St. Louis, MO 63139-2988

RE: Special Review - Auto Towing & Storage Division (Project #2021-SP01)

Dear Mr. Wilson:

Enclosed is the Internal Audit Section's special review report of the Auto Towing & Storage Division. A description of the scope of work is included in the report.

Fieldwork was completed on March 3, 2021. Management responses to the observations noted in the report were received on March 15, 2021 and have been incorporated into the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3465.

Respectfully,

Leonard E. Bell Jr., MBA, MSF

Internal Audit Manager

Sason M. Fletcher, CPA

Jasen Stekler

Fiscal Operations Support Manager

Enclosure

Cc: Kent Flake, Commissioner of Streets, Streets Division Ed Young, Manager, Towing Division





STREET DEPARTMENT AUTO TOWING & STORAGE DIVISION

SPECIAL REVIEW

DECEMBER 1, 2018 – MARCH 3, 2021

PROJECT #2021- SP01

DATE ISSUED: MARCH 19, 2021

Prepared By:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

STREET DEPARTMENT AUTO TOWING & STORAGE DIVISION

SPECIAL REVIEW

DECEMBER 1, 2018 – MARCH 3, 2021

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STREET DEPARTMENT AUTO TOWING & STORAGE DIVISION

SPECIAL REVIEW

DECEMBER 1, 2018 - MARCH 3, 2021

SUMMARY

Background

The Internal Audit Section (IAS) received calls from various sources requesting an audit of the Auto Towing & Storage Division's (Division) operational activities. This included examination of their vehicle auction and vehicle shredding and destruction. IAS management met with Division management and initiated a special review of Division activities.

The Division provides vehicle towing and storage services to the city. The Division performs these functions for municipal entities, such as the Police Department, at no cost, but for services provided to the residents of the city, fees are charged based on the services provided. The Division's tow lot, office, and main operations are located at 7410 Hall St. Towing and storage services are available 24 hours a day for urgent city needs. It is open to the public Monday through Friday from 9 a.m. to 6 p.m. and Saturday from 9 a.m. to 12:30 p.m.

Additionally, the Division manages the property collected in the course of providing towing and storage services, and disposes of vehicles based on established procedures and police directives. The Division manages its services using physical documents and the Regional Justice Information Service Commission (REJIS), a digital records management system.

This review involved examining various processes. IAS examined the process by which vehicles were disposed if vehicle owners did not redeem them within the established 30-day time frame. The eligibility of vehicles being auctioned was examined by comparing REJIS report of vehicles eligible for auction (create list) with the vehicles that were present at the final auction (auction list). The sale and eligibility of vehicles being crushed was also examined. REJIS' list of crushed vehicles (crush report) was compared to the list of vehicles purchased during the current vehicle shredding contract period, and crush vehicles were vetted to ensure that they were eligible to crush based on auction and tow documentation. Police hold and additional tow fee documentation were also examined to determine if they were processed correctly. Tow truck GPS reports and tow lot surveillance footage were also reviewed to examine whether personnel behavior was appropriate. Throughout the review, various conversations and meetings occurred with Division personnel to determine the actual procedures, actual performance, and underlying reasons for conditions or events.

STREET DEPARTMENT AUTO TOWING & STORAGE DIVISION

SPECIAL REVIEW

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SUMMARY

Purpose

The purpose of this special review was to determine:

- Compliance with applicable City Charter, Laws, Ordinances, Regulations, Division policy and procedures, etc.
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources
- Adequacy of the vehicle auctioning and vehicle shredding & destruction (crush vehicle) process/procedures

Scope and Methodology

The scope of the review covers the operational activities of the Division from December 1, 2018 through March 3, 2021.

The review procedures include:

- Compared crush report to payment and auction documentation of crush vehicles
- Observed the auction process and examined documentation of vehicles removed from auction
- Compared police hold supporting documentation to REJIS records
- Examined digital and physical records of fees charged on tows
- Compared tow truck Global Position System (GPS) reports with tows performed in REJIS' call log
- Observed surveillance of physical record cabinets
- Inquired concerning employee performance and Division productivity
- Inquired concerning Division auction storage services
- Examined auction records for motorcycles sold

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SUMMARY

Status of Prior Observations

The most recent audit was performed by IAS on the Division with final report issued on November 14, 2018. One of the observations noted in the report and relevant to our current review is stated below:

• Opportunity to Update and Establish Comprehensive Written Policy and Procedures (Unresolved)

This will be repeated as an observation in this report.

Conclusion

The following are the observations from the review:

- 1. Payments from the Contractor Are Not Reconciled to the Division's Records
- 2. Opportunity to Improve Control Over Crush Vehicle Classification
- 3. Vehicles Eligible for Auction Were Not Sent to Auction
- 4. Opportunity to Improve Documentation of Police Holds (Request & Release)
- 5. Opportunity to Develop Detailed Policies and Procedures (Repeated Observation)

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Evaluation Criteria For Observations – Level of Importance Ratings

In order to assist management in allocating resources to address the identified issues, we have assigned the following level of importance to our observations:

High	This risk ranking addresses issues that are fundamentally important to the system of internal controls or organization and action should be taken as soon as possible.
Medium	This risk ranking addresses issues, which are important to the system of internal controls or organization and action should be taken in the near future.
Low	This risk ranking addresses issues to enhance internal controls or general efficiency, but does not require immediate action.

Management should evaluate the risks identified and determine the necessary processes and controls to put in place in order to reduce the risks identified. Management should focus on addressing the risks in order of High to Low.

1. Payments from the Contractor Are Not Reconciled to the Division's Records

The Division does not reconcile their records of crush vehicles retrieved by the Contractor with payments made to the Supply Division. Payments from the Contractor for crush vehicles are sent to the Supply Division on a quarterly basis per the contract agreement. IAS also noted the following:

- The Division does not currently maintain accurate reports on the number of crush vehicles retrieved by the Contractor
- The Division does not have a process in place to determine how much is due from the Contractor each quarter

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(Observation 1 continued)

• The Division does not generate a REJIS report that filters vehicles by their crush date. IAS did not determine whether vehicles can be filtered by their crush date in REJIS.

Of the 223 crush vehicles identified from December 1, 2018 to December 31, 2020, the contractor has not paid for 42 vehicles that have been crushed. The percentage of unpaid crush vehicles is substantial at 18.83%, or almost 1 out of every 5 cars. At \$110 for each crush vehicles, per the contract, the contractor owes \$4,620 to the Division. More vehicles may be missing from this amount, but the current processes in place do not capture all the crush vehicles within the contract period. See the following table.

Reporting and Payment of Crush Vehicles (12/1/2018-12/31/2020)

Division and Contractor Reported Crush Vehicles

	Vehicles	Vehicles
Reported Status of Crush	on Crush	Paid by
Vehicles	Reports	Contractor
Paid, Not on Report (a)		46
Paid, On Report (b)	134	134
Not Paid, On Report (c)	43	
Reported Totals	177	180

Paid vs. Unpaid Crush Vehicles

Total Vehicles Paid by Contractor	180
Duplicate Tow Payment	1
Total Payments Made by Contractor	181
Total Crushed Vehicles (a+b+c)	223
Unpaid Vehicles	(42)
Total Owed to City (\$110/crush vehicle)	(\$4,620.00)

Crush Vehicles Paid



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(Observation 1 continued)

Per the Government Finance Officers Association, accounting ledgers should be reconciled with receivable balances in a timely manner. Such receivable balances should be developed in order to perform such reconciliation.

The Division has not considered this practice necessary and trusts the amount being sent by the contractor. REJIS' crush report filters crush vehicles by their storage date, which does not show when vehicles were crushed, hindering the Division's ability to reliably establish an amount owed from the contractor each pay period.

The City is losing revenue from vehicles that have been sent to the contractor without payment. Additionally, because the records system does not generate a report showing an accurate number of vehicles crushed during a requested period, this number could be much larger.

Recommendations

Internal Audit Section recommends:

- The Division should determine the accurate number of vehicles crushed during the contract period and reconcile it with the contractor's documentation sent to the Supply Division.
- Reconciliations should be performed with each subsequent payment from the vendor.
- The Division should contact REJIS to modify the crush report to filter vehicles by the crush date.

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(Observation 1 continued)

Management's Responses

- The Division's management disagrees with the observation.
- Reconciliations of vehicles crushed via the contractor have been performed since April 2020, and the contractor owes the city for 16 vehicles which are not yet due until the end of the current quarter.
- Items that will not sell at auction nor qualify to be disposed through the vehicle disposal contract are generally marked on the tow ticket with final disposition.
- See attached detailed management responses

Audit Manager's Comments

During the performance of review, requests were made for documentation to confirm such reconciliation occured and were readily available for review. We could not confirm during the review and are presently unable to confirm that the reconciliations of crushed vehicles noted in the management response were performed. Therefore, it remains important that the division implement a process whereby reconciliation is documented and is readily available for review upon request.



2. Opportunity to Improve Control Over Crush Vehicle Classification

The Division does not have clear criteria to disqualify crush vehicles from going to auction. Also, crush vehicles lack documentation to justify why they skipped the auction process. Out of 34 crush vehicles selected to sample throughout the contract period, that were eligible for auction according to qualifications explained by the Division, 7 lacked sufficient documentation to support why they did not go to auction. Calculating an average auction price from the auction information obtained, the amount of revenue lost by vehicles skipping the auction process could be \$2,118.96. See the following table.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(Observation 2 continued)

Revenue Lost from Crush Vehicles Skipping Auction (12/1/2018-12/31/2020)

Total Crush Vehicles in Sample	34
Crush Vehicles Auctioned in Sample	27
Unexplained Tows	7
Average Auction Price	\$ 412.71
Projected Average Revenue (7*412.71)	\$ 2,888.96
Contracted Price for 7 Crush Vehicles	\$ (770.00)
Total Projected Lost Revenue	\$ 2,118.96

Per the Institute of Internal Audit's (IIA) *Standards of Internal Controls*, "all organizations must develop a system of internal controls to ensure that the assets and records . . . are adequately protected from loss, destruction, theft, alteration, or unauthorized access."

Complete policies and procedures have yet to be developed, leaving a need for information to maintain consistency for qualifications disqualifying crush vehicles from being auctioned (see Observation 5). Also, crush vehicle auction dates are not considered pertinent information by Division management to be documented for each individual tow.

Crush vehicles eligible for auction may skip auction due to a lack of standardized qualifications for vehicle conditions. These vehicles may also be excluded from auctions due to the lack of documentation to support why they are excluded since no one can verify the original reason that they were excluded. When vehicles skip auction, potential revenue is lost because vehicles sold at auction sell for larger amounts than those crushed.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(Observation 2 continued)

Recommendations

Internal Audit Section recommends:

- The Division should develop complete policies and procedures (see Observation 5)
- Crush vehicles excluded from auction should have documentation supporting their exclusion.

Management's Responses

- The Division's management disagrees with the observation.
- Explanations for why the seven crush vehicles were sent to auction were provided, and the documents already in IAS' possession were cited as the source material.
- Total Projected Lost Revenue should be \$0 since the vehicles are in the Division's possession and should be processed appropriately.
- See attached detailed management responses

Audit Manager's Comments

Documentation provided to the auditors during the performance of the review did not substantiate why the vehicles were crushed. In addition, explanations noted in the enclosed response contained no documentation to substantiate the conclusion reached by the division in their response.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES



3. Vehicles Eligible for Auction Were Not Sent to Auction

From two auctions audited, eight vehicles were considered eligible for auction that did not go to auction, and the Division did not have an explanation why these specific vehicles were not auctioned. The following table shows the summary of the auctioned vehicle examination.

1/28/2021 Auction

Vehicles Eligible per REJIS	138
Vehicles Auctioned	106
Vehicles Eligible but Not Auctioned	32
Vehicles Eligible but Not Auctioned	32
Vehicles with Justification for Not	26
Being Auctioned on 1/28/2021	20
Unexplained Discrepancies	6
1/28/2021 Average Auction Price	\$616.95
Projected Lost Revenue	\$3,701.72

2/11/2021 Auction

Vehicles Eligible per REJIS	115
Vehicles Auctioned	88
Vehicles Eligible but Not Auctioned	27
Vehicles Eligible but Not Auctioned	27
Vehicles with Justification for Not Being Auctioned on 2/11/2021	25
Unexplained Discrepancies	2
Official Car Discrepancies	
2/11/2021 Average Auction Price	\$748.55
Projected Lost Revenue	\$1,497.09

Based on the auction process explained by the Division's foreman that supervises the auction, all vehicles in storage not redeemed after 30 days will be eligible for auction. However, vehicles with Vehicle Identification Number (VIN) issues (multiple VINs, incomplete VIN, burnt VIN plate, etc.), police hold (active), stripped parts or considered extreme damaged are not eligible to be auctioned.

To provide potential reasons that eligible vehicles did not go to auction, the Division explained that vehicles may have been misplaced in the tow lot or their information is lost in the information system. A Division foreman confirmed that one of the eight vehicles (unexplained discrepancies) has been lost on the tow lot, despite efforts to determine its whereabouts. For the remaining seven vehicles, not enough information was available to determine why they did not go to auction.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(Observation 3 continued)

Vehicles that are eligible for auction but do not go to auction result in lost revenue for the City. Either the vehicles remain in the system, taking space on the lot, or they are lost, and opportunities to generate revenue are lost.

Recommendations

Internal Audit Section recommends:

 When preparing the pull-up list, each vehicle that is determined ineligible should be located, and the reason that they are not eligible should be documented. The eligibility list for each auction should be saved, and the outcome of each vehicle listed should be indicated.

Management's Responses

- The Division's management disagrees with the observation.
- Explanations for why the 8 eligible vehicles were not sent to auction were provided, and the documents already in IAS' possession were cited as the source material.
- Total Projected Lost Revenue should be \$0 since the vehicles are in the Division's possession and should be processed appropriately.
- See attached detailed management responses

Audit Manager's Comments

In review with the auditors, it was determined that no documentation, although requested during the review was provided. In addition, after the review, documentation was not provided to resolve the conclusions reached in the management's response.

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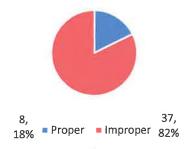
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES



4. Opportunity to Improve Documentation of Police Holds (Request & Release)

82% of police holds did not have the proper documentation to be correctly processed. Out of 45 police holds tested, 8 had the appropriate documentation. 37 were missing either the request or the release information.

Police Hold Documentation



Per the police hold process explained by the Division, each police hold should have a request form when active and both request and release form if a police hold is released. A police hold status printout that shows an active status for requests and cancelled status for releases is also sufficient in place of the corresponding request or release form.

The Division did not have an explanation why police holds would not have documentation other than error by either the police or the Division. Mistakes include, but are not limited to, forgetting to document either requests or releases, losing documentation, and entering information incorrectly into either the police hold system or REJIS.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(Observation 4 continued)

Correctly documented holds are less likely to be lost among vehicles in the Division's information system. Vehicles on hold cannot be auctioned. Without the proper documentation, vehicles may be withheld from auction longer than necessary, resulting in lost revenue. Proper documentation also facilitates determining eligibility of vehicles going to auction. Additional time and human resources are required to process auctions without accessible documentation to determine which vehicles are eligible for auction.

Recommendations

Internal Audit Section recommends:

• Each instance where a request, release, or other hold event occurs, the occurrence should be documented in the tow folder. Should a tow folder of a vehicle with a police hold be observed without the proper documentation, appropriate documentation should be added to the tow folder. If REJIS and tow folder documents do not agree, the true nature of the police hold should be determined and rectified in both the tow folder and in REJIS.

Management's Responses

- The Division's management disagrees with the observation.
- REJIS is the most updated record at the Division and is directly linked to the source material, SLMPD's records. The tow folders are for reference, and either electronic or paper documentation exists for all vehicles held by police. 26 vehicles are not recorded correctly in the SLMPD REJIS system, and all have a signed police hold document or an officer's signature on the ticket. Also, the SLMPD receives a spreadsheet of police holds every 60 days to reconcile with their records.

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DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(Observation 4 and Management's Response continued)

- There has been some confusion on how the SLMPD/REJIS system and City Tow/REJIS system are involved. They are independent. The Division manually enters police hold information into REJIS, but the information is either provided on scene or through MULES/NCIC. Internal audit claims that these are undocumented but did not account for MULES/NCIC.
- See attached detailed management responses

Audit Manager's Comments

All police holds should be fully documented in the files whether it is processed electronically or by paper per the management's response. Per the auditor, they were not provided with a list to substantiate the 26 holds referenced in the management response and cannot confirm that these are the same police holds observed during the review as no documentation was provided within the response to substantiate this information

5. Opportunity to Develop Detailed Policies and Procedures (Repeated Observation)

The Division has not developed written policies and procedures for all its operations. Standard processes are not formally established, and employees do not have a written source to consult for appropriate job performance.

Management best practices, per the Government Finance Officers Association, dictate that written policies and procedures should be developed to maintain detailed instructions to perform duties and supporting rationale for the processes prescribed to fulfill the previously mentioned duties.

A previous audit of the Division had an observation addressing the lack of policies and procedures. The Division still has not formally documented their processes.

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(Observation 5 continued)

Employees do not know how to correctly handle situations that arise in the normal course of their jobs. Management may dictate operations according to their judgment, but employees will not know if what they are being told is correct or why a deviation from normal operations is justified. Employees don't have a consensus as to the proper way to perform all their duties.

Recommendations

Internal Audit Section recommends:

- Division management should develop complete policies and procedures for all their processes, including the following:
 - Standard qualifications and disposal of crush vehicles
 - o Standard eligibility qualifications and disposal methods for auction vehicles
 - o Comprehensive list of allowed personal uses for tow trucks
 - Police hold requests and releases

Management's Responses

- The Division's management agrees with the observation
- The majority of work rules have existed and efforts are being made to consolidate work rules and standard operating procedures into a single operations manual.
- References to various process standard operating procedures will be added to the employee work rules.
- See attached detailed management responses

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(Observation 5 continued)

Audit Manager's Comments

During the performance of the review, requests were made for access to written procedures in place for the various processes in place for the Auto Towing and Storage Division and none were provided. Without access to written procedures the audit process has no tool of measurement whereby we can assess compliance. Therefore, it is through direct observation of the processes as they occur that we must establish as the evidence.



JAMIE WILSON, P.E. PTOE DIRECTOR

City of St. Louis

DEPARTMENT OF STREETS

STREET DIVISION

1900 HAMPTON AVENUE ST. LOUIS, MISSOURI 63139-2988 PHONE: (314) 647-3111 FAX: (314) 768-2888



KENT D. FLAKE COMMISSIONER OF STREETS

March 15, 2021

Leonard E Bell, Jr. MBA, MSF Audit Manager, Comptroller's Office Internal Audit Section 1520 Market Street Suite 3005 Saint Louis MO 63103

Please see the attached Management Responses to the Street Department Auto Towing and Storage Division – Special Review from December 1, 2018 through March 3, 2021 (Project #2021-SP01).

Sincerely,

Jamie Wilson Director of Streets

City of Saint Louis

Kent D. Flake

Commissioner of Streets

City of Saint Louis

Opportunity #1

Reconciliations have been made on vehicles crushed per contract since April 2020. REJIS has been contacted to correct the "Crushed" report so it searches by crush date instead of inventory date.

The contractor currently owes the City for 16 vehicles which would result in \$1,760. Per the contract the contractor is required to pay quarterly and that payment is not currently due.

It was explained to Internal Audit that fiberglass boat hulls, wrecked/stripped mini-scooters, home-made trailers and other items will not sell at auction nor do they qualify to be disposed of through the vehicle disposal contract. These items are either destroyed and placed into the solid waste container or if they are metal they are placed in the metal container and disposed of using our scrap metal recycling contract. These items are generally marked on the tow ticket with final disposition.

Opportunity #2

Documentation was provided for each of the 7 "Unexplained Tows" identified in the report and the breakdown is as follows:

- 1 fiberglass boat that was not identifiable was destroyed and placed in the trash dumpster at City Tow
- 1 fiberglass boat on a homemade trailer that was not identifiable. The boat was destroyed and placed in dumpster at City Tow and the trailer was destroyed and disposed of using the scrap metal recycling contract.
- 2 motorcycles that did not sell at auction were sent to be crushed using Vehicle Disposal Contract
- 2 mopeds with no VIN or Serial Number, destroyed and disposed of using the scrap metal recycling contract.
- 1 vehicle with missing VIN, confirmed by Auto-Theft and sent to be crushed using Vehicle Disposal Contract.

In conclusion, documentation is kept on the final disposition of all vehicles. Auction vehicles and vehicles being disposed of using the Vehicle Disposal Contract or the scrap metal recycling contract are documented and reviewed several times before reaching their final disposition. Over the last 6 months we have increased this documentation to include photographs and a signed letter to the contractor stating that this vehicle is to be destroyed.

The "Total Projected Lost Revenue" identified in the report should be zero since we are exhausting every possible avenue available to dispose of these vehicles or items in a legal and appropriate manner.

Opportunity #3

Documentation was available for the 8 "Unexplained Discrepancies" identified in the report and the breakdown is as follows:

3 have been auctioned

2 are scheduled to be crushed on March 18, 2021

1 has not been identified by Auto-Theft

1 was redeemed in September, 2020

1 is scheduled for auction March 18, 2021

The recommendation is already in place if a vehicle and information are able to be located. With a 24-hour turn-around from one auction to the next it does not allow for much time to locate these vehicles.

The "Total Projected Lost Revenue" identified in the report should be zero since each of these vehicles is in a process. It is customary to have vehicles auctioned or destroyed using the Vehicle Disposal Contract within approximately 30-45 days but even if they are not the vehicle is retained and will have a final disposition at a later date. Regardless, if the vehicle is not sold at auction, it remains a retained City asset.

Opportunity #4

The REJIS system is the most up to date record that exists at City Tow and is directly linked to the SLMPD record. The Tow Folder should only be used as reference. Either electronic or paper documentation exists on all vehicles that are currently on Police Hold.

There are 26 Police Holds that do not show up correctly in the SLMPD/REJIS system. All 26 of these either have a signed Police Hold by the officer or the Officer signed the tow ticket next to the hold, either of which is acceptable.

The SLMPD is sent a spreadsheet of all of Police Holds approximately every 60 days so that they can reconcile their Hold Orders.

There has been some confusion on how the SLMPD/REJIS system and CITYTOW/REJIS system are involved. They are entirely independent systems except that we can pull in

certain information. CITYTOW/REJIS can pull: PD complaint #'s, Vehicle Reference #, Officer DSN, assignment code, district code, MULES/NCIC remarks and Local Remarks.

City Tow manually enters the Police Hold Information, but that information is either provided on scene or through the MULES/NCIC remarks. Internal Audit claims that these are undocumented but did not account for MULES/NCIC information.

Opportunity #5

The recommendation contained in the report was for the development of detailed policies and procedures. Please note the following:

The current Employee Work rules are attached. It should be noted that a majority of these work rules have existed and we are making efforts to consolidate these work rules and standard operating procedures into one Tow Lot Operations Manual.

Standard Operating Procedures for the utilization of the Vehicle Disposal Contract are located within that contract.

Standard Operating Procedures for the Auction of Vehicles is located within The Revised Code of the City of Saint Louis 17.56

There are no allowed personal uses for City Tow Trucks

SLMPD maintains all rights to hold requests and releases. City Tow simply processes their information and reminds the SLMPD when their hold numbers are becoming excessive.

References to the above will be added to the Employee Work Rules.